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9 *Attorneys for Plaintiff Quonset Partners, LLC*

10 **UNITED STATES DISTRICT COURT**  
11 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

12 QUONSET PARTNERS, LLC, a  
13 California limited liability company,

14 Plaintiff,

15 v.

16 CITY OF COACHELLA, a municipal  
17 corporation; and DOES 1 through 100,  
18 inclusive,

19 Defendants.  
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**Case No.:**

**COMPLAINT FOR:**

- 1) VIOLATION OF  
42 U.S.C. § 1983;
- 2) CIVIL CONSPIRACY; AND
- 3) DECLARATORY RELIEF

**NATURE OF THE ACTION**

1  
2 1. This action seeks to compensation for the City’s federal and state law  
3 procedural and substantive due process and takings clause violations so blatant, the  
4 whole debacle reeks of deliberate malfeasance.

5 2. Specifically, the City stripped Plaintiff Quonset Partners, LLC  
6 (“Quonset”) of significant market value and goodwill by refusing to record and  
7 enforce a validly created public easement on real property belonging to Glenroy  
8 Coachella, LLC (“Glenroy”). Quonset owns the land near Glenroy’s property,  
9 which Quonset leases (through a sublease with Quonset’s original tenant) to The  
10 Coachella Lighthouse, LLC (“Lighthouse”), a California state-licensed commercial  
11 cannabis retailer.

12 3. The easement guaranteed Quonset, Lighthouse, and the rest of the tax  
13 paying public access to a parking lot on the real property adjacent to Lighthouse’s  
14 business on Quonset’s land. Attached hereto as Exhibit A is a parcel map that  
15 depicts the two parcels of land where Quonset and Lighthouse are located (in green)  
16 and the parking lot on Glenroy’s property adjacent to it.

17 4. Glenroy expressly granted the City the subject public easement pursuant  
18 to California’s “Mello-Roos Community Facilities Act of 1982” (the “Mello-Roos  
19 Act”).

20 5. The stated purpose of the Mello-Roos Act is to provide an alternate  
21 method for local governments to finance capital facilities and services. Essentially,  
22 the Mello-Roos Act authorizes a local government agency to create special  
23 geographic districts wherein the local government can levy a special tax on residents  
24 specifically to fund the purchase, construction, expansion, or rehabilitation of public  
25 facilities such as parks, schools, libraries, or any other buildings. (*See* Cal. Gov. Code  
26 § 53313.5.)

27 6. Here, the City raised the Mello-Roos Act monies in question through the  
28 creation of The City of Coachella Community Facilities District No. 2018-1 (Glenroy)

1 (the “Glenroy CFD”). Through the Glenroy CFD, the City issued bonds. Those bonds  
2 are to be paid through the City’s implementation and collection of a Mello-Roos Act  
3 tax (the “Special Tax”) imposed upon the public.

4 7. The City has extracted and continues to extract hundreds of thousands of  
5 dollars from Quonset and the public in Special Tax specifically designed to fund  
6 development of infrastructure that would support the hotel project. Quonset,  
7 Lighthouse, as well as other local businesses and residents have been paying this  
8 Special Tax for years. This is because Quonset, Lighthouse, and the general public  
9 are and were always the intended beneficiaries of the validly created, yet un-recorded  
10 easement for use of Glenroy’s property.

11 8. In addition, over the past few years, Quonset, Lighthouse, and other  
12 residents have paid thousands in sales and use taxes, business license taxes, income  
13 taxes, and other remittances to the City.

14 9. Now, Glenroy acting in concert with the City has sold the hotel property  
15 to a third party free and clear of the public easement, to the detriment Quonset’s and  
16 Lighthouse’s property rights.

17 10. Notwithstanding the sale, the City continues to collect the Special Tax  
18 and other amounts from Quonset, Lighthouse, and members of the public.

19 11. Moreover, the City also seeks to revoke Lighthouse’s conditional use  
20 permit to operate its business on the adjacent property, among other reasons, on the  
21 grounds that Glenroy cannot complete the hotel now that the property has been sold  
22 to a third party, and the failure to do so breaches the City’s separate agreement with  
23 Lighthouse.

24 12. The injustice spawned by the City’s conduct is palpable. Accordingly,  
25 Quonset brings this action to recover an award of compensatory, other damages, and  
26 attorneys’ fees allowable by law the City caused by failing to record the public  
27 easement that Quonset, Lighthouse, and other residents have funded in violation of  
28 their substantive and procedural due process rights.

**PARTIES**

13. Plaintiff Quonset is a limited liability company organized under the laws of California, and authorized to do business and is doing business in the CFD.

14. Defendant City is a municipal corporation and a political subdivision of the State of California.

15. The true names and capacities of all remaining Defendants, whether individual, corporate, associate or otherwise, are named herein as DOES 1 through 100, inclusive, are unknown to Plaintiff who thereby sues these Defendants by those fictitious names. Plaintiff is informed and believe, and on that basis allege, that each of the Defendants sued herein as a DOE is legally responsible in some manner for the events and happenings referred to herein. The names, capacities and relationships of DOES 1 through 100 will be alleged by amendment to this Complaint when those names are known. Whenever it is alleged herein that any act or omission was also done or committed by a specifically named Defendant generally, Plaintiff intends to allege and does allege that the same act or omission was also committed by each and every Defendant named herein, including the DOE Defendants, both separately and in concert or conspiring with the other Defendants, unless stated otherwise. Plaintiff prays for leave of this Court to amend this Complaint when those names and capacities are ascertained.

16. Plaintiff is informed and believes, and based thereon alleges, that at all times relevant to the facts alleged herein, each Defendant was the agent, servant or employee of each of the other Defendants, and as such, was acting within the course and scope of such agency or employment and with the express permission of, consent to and/or ratification by Defendants, and each of them.

17. Plaintiff is informed and believes, and based thereon alleges, that each of the Defendants, including DOES 1 through 100, inclusive, were, at all times herein mentioned, acting in concert with, and in conspiracy with, each and every one of the remaining Defendants.

1           18. Plaintiff is informed and believes, and based thereon alleges, that at the  
2 time the events complained of herein occurred, Defendants were engaged in a joint  
3 enterprise, whether social or otherwise, that each benefited by, and held a pecuniary  
4 interest in, such that each Defendant is vicariously liable for the acts of each other  
5 Defendant.

## 6                                   **JURISDICTION AND VENUE**

7           19. This Court has jurisdiction pursuant to 28 U.S.C. § 1331, 28 U.S.C.  
8 § 1343, and 12 U.S.C. § 2614 because the matter arises under federal law,  
9 specifically, 42 U.S.C. § 1983.

10          20. Venue is proper in this judicial district pursuant to 28 U.S.C. §§ 139(b)  
11 and 1409(a).

12          21. Quonset has standing to bring this action pursuant to California Code of  
13 Civil Procedure 526a because this is an action to obtain a judgment against, and  
14 prevent any illegal waste of, or injury to, the property of, the City of Coachella (the  
15 “City”). Additionally, Quonset, as a member of the tax-paying public, has a  
16 substantial interest in the outcome of this controversy.

17          22. Pursuant to California Government Code section 905.1, Quonset has  
18 exhausted all administrative remedies, or is excused from filing a claim, because this  
19 is an action for taking of, or damage to, private property pursuant to section 19 of  
20 Article I of the California Constitution. *See also Knick v. Township of Scott*,  
21 588 U.S. \_\_\_\_ (2019).

## 22                                   **GENERAL ALLEGATIONS**

### 23   **A. The City Creates a Public Easement But Fails to Record It.**

24          23. Lighthouse was, and is, a retail commercial cannabis located at 84-161  
25 Avenue 48, Coachella, within a commercial center located at the southeast corner of  
26 Avenue 48 and Van Buren Street (*see* Assessor Parcel Numbers 603-220-063 and  
27 portions of 603-220-066). The property belongs to Quonset, who subleases it to  
28 Lighthouse.

1           24. In July 2017, Glenroy had expressly granted the City a public easement  
2 to a parking lot at 84-150 Avenue 48, Coachella, California 92201 (*see* Accessor's  
3 Parcel Numbers 603-220-063 and 603-220-069)—the premises adjoining the real  
4 property where Glenroy was to develop a hotel. (*See* Exhibit A [Parcel Map and  
5 Resolution 2017-46].)

6           25. In May 2018, the City entered into an Acquisition Agreement (the  
7 "Agreement") with Glenroy under California's Mello-Roos Act for the City to fund  
8 certain infrastructure appurtenant to the construction of a hotel project Glenroy was  
9 developing on its property on which it had granted the City a public easement.  
10 Attached hereto as Exhibit B is a true and correct copy of the Agreement. Under the  
11 Agreement, the City formed the Glenroy CFD.

12           26. Despite the easement being created, the City never recorded it, as it had  
13 a duty to do.

14           27. In the interim, Quonset, Lighthouse, and the public paid significant sums  
15 in Special Tax that funded infrastructure improvements that benefited Glenroy's hotel  
16 project.

17           28. In 2019, Glenroy fell into financial turmoil and became engaged in a  
18 dispute with its construction lenders, U.S. Real Estate Credit Holdings III-A, LP  
19 ("USRECH").

20           29. Ultimately, Glenroy lost control of its hotel project to Edwin W. Leslie  
21 (the "Receiver"), appointed by the Honorable Randall Stamen (in the Superior Court  
22 of Riverside County, Case No.: RIC1905743) in a separate action against its lenders.

23           30. In April 2020, the Receiver ordered a fence to be built around the parking  
24 lot that the City had maintained and operated up to that point. The fence blocked the  
25 agreed-to, valid, and yet unrecorded public easement.

26           31. On April 15, 2020, Quonset advised the Receiver that the fence would  
27 trespass on land it had the right to traverse and would also prevent the public from  
28 obtaining access to the parking lot per the City's public easement.

1           32. The Receiver refused to allow the public access to the parking lot unless  
2 Quonset agreed to pay an additional \$20,000 a month under a private agreement,  
3 separate and apart from amounts Quonset and the public had already paid in Special  
4 Tax and other taxes.

5           33. The following day, on April 16, 2020, Quonset alerted the City to the  
6 Receiver's plans to erect a fence around the parking lot with the intention of  
7 preventing the public from accessing it in violation of the City's public easement.

8           34. In response, the City's staff acknowledged that the Receiver's conduct  
9 would violate the public easement and that the easement had to be recorded. In no  
10 uncertain terms, Luis Lopez, the City's Development Services Director, stated in an  
11 email:

12           [A]ny fence that blocks a parking stall or driveway aisle would not  
13 normally be allowed. Additionally, the City will not issue any new  
14 building permits on the Glenroy Resort properties until a reciprocal  
15 access easement is recorded in favor of Parcel 3 of Parcel Map No.  
16 37310, as required by Condition #2 of Resolution No. 20178-46  
17 (attached herein). **The fact that the Parcel Map recorded without any**  
18 **easement for parking benefitting Parcel 3 is a violation of the**  
19 **conditions of approval (see attached recorded easement), and needs**  
20 **to be remedied prior to any more construction activity taking place**  
21 **on the Glenroy Resort parcels.**

22 (See Exhibit C [a true and correct copy of the April 16, 2020 email from Luis Lopez  
23 to Quonset] (emphasis added).)

24           35. Notwithstanding Mr. Lopez's admission that the City was required to  
25 record the public easement, the City did nothing.

26           36. Instead, the City allowed the Receiver to erect the fence, blocking access  
27 completely to the parking lot (and encroaching on portions of Quonset's land).  
28

Attached hereto as Exhibit D are true and correct photographs of Quonset's property depicting portions of the fence that the Receiver erected.

37. In the meantime, the City began to seek to revoke Lighthouse's conditional use permit. On or about April 15, 2020, the City's Planning Commission revoked Lighthouse's conditional use permit in part because the Glenroy hotel had not been completed. Lighthouse timely appealed the City's revocation.

38. On or about October 8, 2020, Lighthouse ultimately resolved its issues by entering into a Memorandum of Understanding (the "MOU") with the City. Under the MOU, the City agreed to forgo its revocation of Lighthouse's conditional use permit in exchange for compliance by other parties and Lighthouse's payment to the City of transient occupancy tax ("TOT Tax") (i.e., taxes typically guests for staying at a hotel or resort) until Glenroy completed the hotel project.

39. At all relevant times, Lighthouse paid the TOT Tax to the City pursuant to the MOU.

**B. Glenroy Agrees to Sell the Hotel Property Without the Public Easement.**

40. In February 2021, Glenroy filed a petition for bankruptcy protection in the United States Bankruptcy Court for the Central District of California (*In re Glenroy Coachella, LLC*, Case No. 2:21-bk-11188-BB) (the "Bankruptcy Court"). The Bankruptcy Court appointed Richard A. Marshack as the Chapter 7 Trustee of Glenroy's bankruptcy estates.

41. Mr. Marshack, acting on behalf of the Glenroy, negotiated a compromise with USRECH, Glenroy's construction lenders, to list the hotel property for a sale at which USRECH could credit bid all or a portion of its pre-petition claim in the Bankruptcy Court.

42. Upon learning that proposed sale would potentially extinguish the public easement and that the City had still failed to record the easement or insist that it be excluded from elimination, on September 29, 2021, Quonset initiated an adversary



1 proceeding in the Bankruptcy Court, initially seeking an injunction or order that any  
2 sale be subject to the public easement that the City had failed to record.

3 43. On September 30, 2021, the Court heard Mr. Marshack's *Motion for*  
4 *Order Authorizing: (1) Sale of Real Property Located at 84151 Avenue 48, Coachella,*  
5 *CA and Related Assets: (a) Outside the Ordinary Course of Business; (b) Free and*  
6 *Clear of Liens, Claims, and Encumbrances; (c) Subject to Overbid; (d) for*  
7 *Determination of Good Faith Purchaser Under 11 U.S.C. § 363(m); and (2)*  
8 *Assumption of Executory Contracts and Unexpired Leases Under 11 U.S.C. § 365*  
9 (the "Hotel Sale Motion").

10 44. Quonset appeared at the hearing and opposed the Hotel Sale Motion to  
11 the extent that the proposed sale would not be subject to the unrecorded easement. In  
12 response, the City joined USRECH to insist that the Hotel Sale Motion be granted as  
13 proposed.

14 45. The Bankruptcy Court granted the Hotel Sale Motion, but did not enter  
15 the order until October 22, 2021. The version of the order the Bankruptcy Court  
16 entered not only included specific language that expressly included the City's public  
17 easement as one that would be extinguished upon the sale to USRECH but also was  
18 signed by the City and Mr. Marshack on Glenroy's behalf.

19 46. Quonset is informed and believes, and on this basis alleges, that the City  
20 and Glenroy coordinated to ensure that the public easement was extinguished, and not  
21 preserved, once and for all in the Hotel Sales Motion order. Attached hereto as  
22 Exhibit E is a true and correct copy of the Bankruptcy Court's order.

23 47. In allowing the public easement to lapse, the City acted under a policy,  
24 custom, or ratification of behavior amounting to an expression of official policy when  
25 they denied Plaintiff's rights. Specifically, Plaintiff is informed and believes, and on  
26 this basis alleges, that the City has a policy that authorizes City officials to allow  
27 abandon un-recorded public easements without due process or proper notice to the  
28 public.

1           48. The unfortunate, inequitable consequence of this misconduct is that  
2 Quonset, Lighthouse, and the public—who financed the infrastructure under the  
3 Special Tax and through other remittances to the City—will lose all rights, ownership,  
4 and claims to this public easement upon which they have detrimentally relied.

5                                   **CLAIMS FOR RELIEF**

6                                   **CLAIM I FOR VIOLATION OF 42 U.S.C. § 1983**

7                   **(RIGHT TO PROCEDURAL DUE PROCESS UNDER THE FIFTH AND**  
8                   **FOURTEENTH AMENDMENTS TO THE U.S. CONSTITUTION AND**  
9                   **CALIFORNIA CONSTITUTION)**

10                   **(By Plaintiff Against All Defendants)**

11           49. Plaintiff hereby incorporates by reference herein each of the preceding  
12 allegations.

13           50. Glenroy granted the City a public easement on Glenroy's property for  
14 the subject parking lot.

15           51. In exchange, Mello-Roos Act monies were used to improve certain of  
16 Glenroy's real property, including the parking lot.

17           52. That easement, validly existing, was never recorded by the City despite  
18 repeated demand by Plaintiff.

19           53. The public easement benefits, and is expressly designed and written to  
20 so benefit Plaintiff and the general public

21           54. The City failed and refused to file and record the public easement which  
22 it had a duty to do.

23           55. The City has no, and has offered no, lawful and/or legitimate reason or  
24 justification for its failure.

25           56. The public easement remains unrecorded as of the date of this  
26 Complaint.

1           57. Plaintiffs, under both the California and U.S. Constitutions, have  
2 procedural due process rights which the City violated by not filing and recording the  
3 public easement.

4           58. As a result, by their actions, Defendants have deprived Plaintiff of its  
5 rights, privileges, and/or immunities secured by both the California and U.S.  
6 Constitutions.

7                           **CLAIM II FOR VIOLATION OF 42 U.S.C. § 1983**  
8           **(RIGHT TO SUBSTANTIVE DUE PROCESS UNDER THE FIFTH AND**  
9           **FOURTEENTH AMENDMENTS TO THE U.S. CONSTITUTION AND THE**  
10           **CALIFORNIA CONSTITUTION)**  
11           **(By Plaintiff Against All Defendants)**

12           59. Plaintiff hereby incorporates by reference herein each of the preceding  
13 allegations.

14           60. Glenroy granted the City a public easement on Glenroy's property for  
15 the subject parking lot.

16           61. IN exchange, Mello-Roos Act monies were used to improve certain of  
17 Glenroy's real property including the parking lot.

18           62. Mello-Roos monies are monies raised by City by issuing bonds. Those  
19 bonds are paid off by a City, including defendant City, implementing and collecting  
20 upon a Mello-Roos tax, the Special Tax, imposed upon the public in that City.

21           63. Quonset as well as other local businesses and residents, have been paying  
22 this Special Tax for years.

23           64. Quonset and the general public thus have ownership rights to, and in, the  
24 public easement. They have each "paid" valid consideration for the public easement.

25           65. The public easement benefits, and is expressly designed and written to  
26 so benefit, Quonset and the general public

27           66. The City failed and refused to file and record the public easement which  
28 it had a duty to do.

1           67. The City has no, and has offered no, lawful and/or legitimate reason or  
2 justification for its failure to file and record the public easement.

3           68. The public easement remains unrecorded as of the date of this  
4 Complaint.

5           69. Because the public easement remains unfiled and unrecorded, Quonset  
6 and the general public, who have each been paying monies for the public easement in  
7 the form of Special Tax, are owed, and own right to and interest in, the public  
8 easement.

9           70. Quonset, under both the California and U.S. Constitutions, has  
10 substantive due process rights which the City has violated by not filing and recording  
11 the public easement.

12           71. As a result, by their actions, Defendants have deprived Quonset of its  
13 rights, privileges, and/or immunities secured by both the California and U.S.  
14 Constitutions.

15                   **CLAIM III FOR VIOLATION OF 42 U.S.C. § 1983**  
16           **(INVERSE CONDEMNATION UNDER U.S. CONSTITUTION AND**  
17                   **CALIFORNIA CONSTITUTION)**  
18                   **(By Plaintiff Against All Defendants)**

19           72. Plaintiff hereby incorporates by reference herein each of the preceding  
20 allegations.

21           73. Mello-Roos Act monies were used to improve certain of Glenroy's real  
22 property.

23           74. In exchange, Glenroy granted the City a public easement on Glenroy's  
24 property for the subject parking lot.

25           75. Mello-Roos monies are monies raised by City by issuing bonds. Those  
26 bonds are paid off by a City, including defendant City, implementing and collecting  
27 upon a Mello-Roos tax imposed upon the public in that City.

1           76. Quonset as well as other local businesses and residents, have been paying  
2 this Special Tax for years.

3           77. Quonset and the general public thus have ownership rights to, and in, the  
4 public easement. They have each “paid” valid consideration for the public easement.

5           78. The City failed and refused to file and record the public easement which  
6 it had a duty to do.

7           79. The City’s activities caused a taking and damaging of Plaintiff’s  
8 property. Quonset’s real estate is less valuable without public easement access to  
9 Glenroy’s parking lot.

10           80. This taking was a direct and necessary result of the City’s failure to  
11 record the public easement.

12           81. Plaintiff’s injury and damage were the result of the City’s defective,  
13 negligent, reckless, and/or intentional plan, design, and improper failure to record the  
14 public easements.

15           82. As a result of the above described damage, Plaintiff has been damaged  
16 in an amount to be proven at the time of trial.

17           83. Plaintiff has received no compensation for the damage to their property  
18 interests.

19           84. Plaintiff has incurred and will incur attorneys’ fees, engineering fees,  
20 contractor’s fees, and appraisal fees because of this proceeding, in amounts that  
21 cannot yet be ascertained, which are recoverable in this action under the provisions of  
22 California Code of Civil Procedure section 1036 and other applicable law.

23                           **CLAIM IV FOR CIVIL CONSPIRACY**

24                           **(By Plaintiff Against All Defendants)**

25           85. Plaintiff hereby incorporates by reference herein each of the preceding  
26 allegations.

1           86. Defendants knowingly and willfully conspired and agreed among  
2 themselves to extinguish the public easement the City had a duty to record for the  
3 benefit of Quonset and other members of the public.

4           87. Pursuant to said conspiracy, and in furtherance thereof, the City and  
5 Glenroy, entered consented to the Hotel Sales Motion and October 22, 2021 order  
6 without ensuring to record the public easement.

7           88. As a proximate result of the wrongful and illegal conduct of Defendants,  
8 and each of them, Plaintiff suffered damages by being deprived of money paid in  
9 Special Tax and other sales and use taxes, business taxes, and fees that were used to  
10 finance the infrastructure to support the public easement.

11           89. Defendants, and each of them, committed the wrongful conduct herein  
12 alleged maliciously and to oppress Plaintiff. Plaintiff is therefore entitled to  
13 exemplary or punitive damages in an amount to be determined at trial.

14                           **CLAIM V FOR DECLARATORY RELIEF**

15                           **(By Plaintiff Against All Defendants)**

16           90. Plaintiff hereby incorporates by reference herein each of the preceding  
17 allegations.

18           91. There is a continuing, ripe and justiciable controversy concerning  
19 whether and in what form the City obtained a public easement on the parking lot  
20 owned by Glenroy sold pursuant to the Hotel Sale Motion order, notwithstanding the  
21 fact that the City did not record the easement.

22           92. Plaintiff herein claims it had rightful use of the parking lot,  
23 notwithstanding the easement's lack of recordation, by virtue of the City's public  
24 easement.

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff demands judgment be entered against the City, and DOES 1 through 100, and each of them as follows:

1. for declaratory relief to confirm that the City had an easement for public access to the parking lot located at Glenroy's property, irrespective of the current form of title;
2. for a declaratory judgment declaring that the City's failure to record and defend the public easement is unconstitutional and a violation of Quonset's and the public's substantive and procedural due process rights;
3. for a judgment for compensatory and general damages in an amount to be determined by proof at trial;
4. for a judgment for interest thereon at the legal rate;
5. for an award of attorneys' fees and costs as allowed by law; and
6. for such other and further relief as the Court deems just and proper.

**DEMAND FOR JURY TRIAL**

Plaintiff hereby demands a trial by jury of all issues so triable pursuant to Rule 38 of the Federal Rules of Civil Procedure.

Dated: April 1, 2022

**D | R WELCH ATTORNEYS AT LAW**

By: /s/ Aluyah I. Imoisili  
Aluyah I. Imoisili

*Attorneys for Plaintiff Quonset Partners, LLC*